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SUBJECT: SUBJECT: CHILE: Presidential Candidates' Energy Platforms - Focus on Sustainability, Efficiency and Reducing Emissions; Nuclear Energy Still an Open-Ended Debate

¶1. SUMMARY: The energy platforms of Chile's three leading presidential candidates aim to improve Chile's energy security while supporting economic growth and, to a lesser extent, include environmental protection and social welfare components. There are significant shared elements: diversification of Chile's energy matrix, taking advantage of abundant renewable resources, securing energy needs for continued growth, improving energy efficiency and expanding energy services to marginalized and rural areas. While all the candidates support the development of Chile's run-of-river hydroelectric potential, they are more wary about larger projects that require dams. The nuclear energy option has not been ruled out by any of the candidates, all of whom at least support further study of the issue. There is clear concern among the candidates about Chile's increasing reliance on thermo-electric generation and commensurate CO2 emissions. End summary.

¶2. Chile's 2009 presidential and parliamentary elections are scheduled for December 13, with a run-off for the top two presidential candidates on January 17 if no candidate gets more than 50% of the vote. Leading presidential candidates are Sebastian Pinera from the center-right Alianza, former president Eduardo Frei from the center-left Concertacion, and Marco Enriquez-Ominami, an independent.

Frei: A "Green Economy" With Both Renewable and Nuclear Energy

¶3. A key further component of Frei's energy platform is further development of Chile's hydroelectric potential, based on his view that Chile has an advantage in hydroelectric expertise based on decades of development in this sector. He also proposes to build a sustainable "green economy" structured around seven main themes:

-- Solar panel use in residences, with subsidies covering 30 percent of the cost of installing panels in 500,000 homes/year.

-- Efficient public lighting: Replace 1 million fluorescent tubes per year with systems that are 30 to 50 percent more efficient.

-- Subsidies for small and medium-sized enterprises using locally available renewable energy sources.

-- Clean heating systems for Chile's south: Subsidies to replace wood and biomass heating units with more efficient systems.

-- Weather-proofing homes: Subsidies to improve insulation in 100,000 homes per year.

-- Replace household refrigerators: Subsidies to replace an estimated one million refrigerators over 10 years old during the government's four-year term.

-- Expand technology development programs and bio-energy investment funding to generate energy from forestry industry waste.

-- Atacama Desert solar platform: Expand existing technology development programs and funding to attract investment for solar energy projects to satisfy energy demands for industry and water desalination in the region and to expand Chile's northern agricultural frontier.

14. Frei, who has publicly expressed pride that under his government (1994-2000) "hydroelectricity expanded like at almost no

other time in [Chile's] history," has not directly endorsed the controversial HidroAysen project, a \$3.2 billion, privately-financed proposal to construct 2,750 MW of hydroelectric plants supported by five dams on two rivers in the water rich but largely undeveloped Patagonia region. Instead, the candidate has focused on whether HidroAysen, and other proposed energy projects, would meet environmental protection and sustainability standards, as well as complying with current laws.

15. Frei has declared nuclear energy a strategic issue that Chile must evaluate in the context of its national security and announced that, if elected, he will "work to put in place a nuclear energy plan for 2020." According to Frei, Chile needs to develop proper legislation, regulations, institutions and technical/skilled knowledge in the use of nuclear energy. On several occasions, Frei has also made clear his opposition to a coal-dependent energy grid and promoted reducing Chile's carbon dioxide (CO2) emissions.

Pinera: Clean Energy Sources, Possibly Including Nuclear Long-Term

16. Pinera formed two committees to study conventional energy and non-conventional renewable energy (NCRE), to develop "friendly energy resources" that ensures sufficient energy for economic development while encouraging energy efficiency and increased participation of NCRE. Pinera stated "Chile cannot continue improvising or walking on a tightrope," and announced his intention to develop an energy matrix that "will not depend on anyone," but use clean energies to preserve the environment while lowering users' costs.

17. Pinera's energy policy proposal has four pillars:

-- An energy matrix based upon reliable, competitive and environmentally-friendly sources. The objectives are to mitigate climate change and to diversify the energy grid with clean and economically competitive energy sources.

-- Develop economic instruments to promote energy efficiency, with a focus on encouraging the use of energy efficient household appliances.

-- Increase private companies' participation in hydrocarbon exploration and development by improving economic incentives for investors.

-- Consider developing nuclear energy in the long-term; given nuclear energy's cost benefits, the issue needs feasibility studies to facilitate policy-making.

¶8. Pinera recommends exploiting Chile's "tremendous hydropower potential" and has declared that it is essential to examine the nuclear energy option, but has not openly endorsed building nuclear power plants, citing high costs and the country's earthquake vulnerability.

Enriquez-Ominami: Sustainable Energy to Improve Competitiveness

¶9. According to Enriquez-Ominami, "Chile lacks an energy policy, what Chile has is a supply policy" and inequalities in access to energy services. Resolving Chile's energy problems requires addressing urban development, transportation programs, and productive processes. Therefore, Enriquez-Ominami proposes:

-- A holistic energy policy that is clean, safe and healthy, with reasonable costs.

-- Promoting the "de-linkage" of economic growth from the energy demand.

-- Focusing on renewable energy sources, energy efficiency and the implementation of structural measures focused on changing consumption patterns.

-- Strengthening the role of the state in regulating the energy sector with clear government responsibilities and authorities.

-- A clean and carbon-free energy grid.

¶10. According to Enriquez-Ominami, 24 percent of new electricity generation should come from NCRE by 2015, and the energy grid should be 20 percent NCRE by 2020. He proposes installing 1,500 MW of NCRE-based capacity through public funding, a new \$500 million private venture capital fund, and tax incentives for certain wind

and solar farm projects. To achieve the "de-linkage" of economic growth and energy demand, Enriquez-Ominami will expand subsidies for residential solar systems and improve the program for insulating older homes. To implement these measures, he proposes reviewing electrical and oil derivative regulatory frameworks, creating a royalty for water resources used by large hydroelectric plants (\$30 per MWh), and creating a national energy company.

¶11. Enriquez-Ominami also wants to establish efficiency standards for the mining sector and other energy-intensive industries (at least a 1.5 percent annual improvement in energy efficiency through 2020), and new standards for engines, machinery, vehicles and electrical appliances. In addition, his administration would require lower-emission vehicles (including those for public transport), apply energy efficiency measures to new construction and require existing buildings to improve efficiency.

¶12. The independent candidate's energy policy seeks to facilitate new generators and producers, and to create incentives to incorporate new business models, e.g., net-metering, district heating programs, co-generation and modernization of existing hydroelectric plants. He proposes creating a \$100 million fund to expand energy networks, incorporating NCRE sources and energy efficiency measures, to rural areas and indigenous communities. Enriquez-Ominami would limit thermal energy plants' emissions of CO₂, sulfur dioxide, nitrogen oxides (NO_x), and other pollutants. He would also replace wood-burning heating units and create wood drying and storage centers.

¶13. Enriquez-Ominami strongly opposes the HidroAysen Project because he believes there are viable alternatives to augment Chile's energy grid that would have less environmental impact. His stance on nuclear energy has gradually softened, from absolute opposition to openness to studying its use in Chile. These positions have garnered him the support of several environmental leaders and movements, e.g., former presidential candidate and prominent environmentalist Sara Larraín and Patagonia Sin Represas (the coalition of over 50 environmental groups that oppose dams in Patagonia, including HidroAysen).

COMMENT

¶14. The next president of Chile will face the competing challenges of ensuring continued economic growth and implementing a sustainable energy policy. In general terms, there is consensus among all three leading presidential candidates on the need to diversify Chile's energy matrix by developing its renewable energy potential and increase energy efficiency while promoting sustainable economic development. However, they differ on the state's level of involvement in implementing energy policies and the role of the market. Moreover, two of the proposed solutions for meeting energy demands -- nuclear power and HidroAysen (or other large hydroelectric projects) -- are likely to continue face opposition from environmental interests. End comment.
SIMONS